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## **Risk and Scope of Debit Check Card in Competitive Market of Pakistan**

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## **INTRODUCTION**

The aim of this dissertation is to review the Debit Card marketplace culminating in addressing the statement “Risk and Scope of New Debit Check Cards in Competitive Market of Pakistan.”

Since the evolution of money it has taken many forms from paper, electronic digital and plastic. Banks and businesses are looking for ways to make it easier and convenient for people to shop. Debit Cards are one example of this.

Debit means “Withdrawal”. A Debit card is a card which is used to access money in a checking or savings account. Debit cards look like credit cards or ATM cards, but operate like cash or a personal check. Debit cards are also known as check cards. The name underscored the fact that the Debit product offers a better acceptance solution than paper checks. To pay for purchases, people are increasingly using debit cards, which can be used to shop at any of the merchant locations that display the logo(s) shown on the card. Depending on which debit brands are on cardholder’s card, sometimes he has to enter his personal identification number (PIN) in the terminal, while other times he signs a sales slip. In either case, the purchase amount is deducted automatically from his checking account.

Debit cards are different from credit cards. While a credit card is a way to "pay later," a debit card is a way to "pay now." Getting a debit card is easier than getting a credit card and will often be issued with a checking account.

Debit cards may be more readily accepted by merchants than checks. Many people use debit cards in place of cash or checks because they're faster and more convenient. One of the most important features that Debit cards offers is the technology associated with this business. Debit Card business relies on very reliable and secure technology and demands very strong connectivity backbone. In Pakistan, There is approximately 4000 Point of Sale Terminals (POST) present on merchant's sites connected with bank host system.

## **TYPES OF DEBIT CARDS**

There are different types of Debit cards:

### **ON-LINE CARDS**

**Online cards** usually are enhanced ATM (automated teller machine) cards which work the same as they would in an ATM transaction, these transactions called Electronic Funds Transfers or EFTs. There is an immediate transfer of money from cardholder's bank account to the merchant's account. To access his account, he enters his personal identification number (PIN) in a keypad. The system checks account and transfers enough money to cover the transaction. The merchant may charge a fee for this transaction.

The PIN authentication is much more secure than the alternative signature (used in offline debit cards). One difficulty in using online debit cards is the necessity of a separate keypad at the point of sale (POS) to enter the PIN. Overall, the Online Debit card is generally viewed as superior to the Offline Debit card because of its more secure authentication system and live status.

### **OFF-LINE CARDS**

**Off-line cards** are known as **check cards**, This type of debit card is similar to a secured credit card and carries a credit card logo i.e. (such as Visa or MasterCard). These debit card may be subject to a daily limit, as well as a maximum limit equal to the amount currently deposited in the checking account from which it draws funds. Transactions conducted with offline debit cards usually require 2-3 days to be reflected on users' account balances. The transaction, while it debits cardholder's account directly, resembles a credit card transaction, in that one signs receipt. For a consumer, there is no noticeable difference between using these **cards** and **ATM cards** – these cards were created for merchants who don't or can't process EFTs.

## **DEBIT CHECK CARDS**

A **Debit-Check Card** works both as a check card and as an online debit card, allowing cardholder to shop at places that take only credit cards, and also to get cash from an ATM. While some issuers give customers separate cards for ATM and on-line transactions and another for off-line uses, others combine the two on one card. If the card handles both off-line and on-line debits and the store accepts both, cardholder will choose the function when he uses the card. If he choose "debit" on the merchant's terminal and "swipe" his card through, the transaction will be done on-line and he will be asked for his PIN. If he chooses "credit" on the terminal and swipes his debit card through, the payment will be off-line and he will be asked to sign the sales slip.

For either debit card transaction, both banks and merchants make more money and face lower risks than when cardholder writes a check, the bank saves money on check clearing costs, there is less float time, and the merchants doesn't need to worry about bounced check risks or bounced check fees.

## **PARTIES INVOLVED**

When a final customer purchases goods or services using Debit card, there are typically four parties involved:

1. The final customer/cardholder
2. The retailer (merchant)
3. The bank that issued the payment card, known as the 'card issuer', and
4. The bank that acts for the retailer, known as the 'merchant acquirer'.

## **EVOLUTION**

The forerunner of today's payment card was the 'shopper's plate', introduced in the USA in the **1920s**. It was an early version of the modern store card and could only be used in the shops that issued it. The first ATM was deployed in **1969**, marking the first small step away from using plastic solely as a credit card product. Local and regional banks introduced the first Debit card in the early **1970s** as a proprietary version of their ATM cards. Consumers could only withdraw cash from the automatic teller machines. Later came other functions such as checking bank balances, transferring money between accounts and depositing funds after hours. Bank debit cards have always required the use of a personal identification number (PIN) to access funds or perform other transactions. Certain merchants began accepting debit cards for point of sale transactions in the late **1980's**, notably supermarkets, convenience stores and gasoline retailers.

The debit card world changed dramatically when Visa and MasterCard credit card associations entered the arena and teamed up with banks to issue bank debit cards and prepaid debit cards with the Visa and MasterCard logo. A critical part of the acceptance message worldwide is that the Visa check cardholders have access to more than 400,000 ATMs.

In **1988** first ATM was installed by Habib Bank in Pakistan, which was the first effort away from using the credit card. On **December 6, 2001** HBL signed an agreement with ABN AMRO bank and ORIX leasing Pakistan Limited to setup infrastructure for country's first point of sale (POS) network. This agreement allowed banks and sales outlets to cater to prepaid debit cards. POS machines were used for many practical purposes that a credit card can not serve. Eventually the service extended to over 4000 outlets and expected to grow more this made ABN AMRO only Bank in Pakistan to provide debit card services to its valued customers. With ORIX leasing being the first third party POS network provide.

In **2003** ABN AMRO introduced the first ever debit card, MCB in **May 2003**, Union bank in year **2004** and Habib bank on **15<sup>th</sup> August 2005**.

## **PRESENT STATUS**

Debit cards business is definitely doing well in Pakistan. A country where a few years back people have hardly heard the word plastic money or debit card, but now a large number of merchants are accepting these cards. Easier," "more convenient," "less burdensome," and offering "greater access to your money" than checks, "traditional" ATM cards, or credit cards this new "debit check card" appears to have it all, according to the banks. Most banks have either issued, are promoting, or are considering giving their customers a new access device known as a debit check card. It has been estimated that there are likely to be more than half million potential card users in the near future. This forecasting is based on the fact that more and more local and international financial institutions are showing great enthusiasm in this direction. This in turn reflects prospects in Pakistani market in accommodating numerous debit card competitors, ensuring healthy and competitive card business deals.

Habib Bank Ltd. has signed an agreement with MCB to join the MNET Merchant network for wider acceptance of Habib Bank cards. The agreement has laid down the foundation for the two icons of the banking industry to join their hands for providing enhanced services to the customers. As a result of this agreement, Habib Bank's cardholders who were already using their cards at the countrywide MNET ATMs can now make purchases through their cards at thousands of MNET Merchant locations.

In Dec 2005, Visa International, the world's leading payment brand and 1 LINK Guarantee Limited, Pakistan's largest shared ATM network announced the certification of 1 LINK switch by Visa International. The 1 LINK will now provide a switching solution and connectivity via the Visa Network to Visa's member financial institutions in Pakistan. From 100 ATMs, it is expected that in the next 12 months between 300-350 ATMs in Pakistan will accept international Visa cards. There are nearly 250,000 Visa Debit cards in Pakistan and the card numbers have been growing at over 100 percent per annum. With consumers becoming increasingly aware of the benefits of electronic payments, there will be a growing demand on banks to start issuing debit cards to the customers.

## **PLAYERS IN THE ARENA**

Muslim Commercial Bank	ATM & Debit Card/ MCB Smart Card
ABN AMRO bank	Debit Card
Union Bank	Visa Debit Card
Habib Bank	Value Visa Debit Card

Many banks are replacing their standard ATM cards with upgraded ATM cards with a debit feature. Approximately all local banks have upgraded their ATM cards with a debit card, such as MCB and ABN AMRO bank Union and Habib Bank have launched their Debit Cards backed by Visa power.

Recently **Bank Al Habib** has also launched their Debit card. **My Bank (Bolan Bank)** is expected to come in this business also. Crescent bank is also expected to launch their ATM card. It is hoped that involvement of more and more local and foreign institutions will be a surety of bright future for this business in Pakistan.

## **STATEMENT OF THE PROBLEM**

According to the preliminary information from the data which is being gathered and on basis of which research will be conducted defines research statement which can be stated as:

**“What is the risk and scope associated with new Debit Check Cards among present and potential customers in the present saturated and competitive market of Pakistan?”**

This is the key question which this paper attempts to answer in light of analytical evidences. This research is an attempt to analyze the Debit card market in Pakistan.

This report is based on

- Are people satisfied with all types of debit cards?
- The experiences and opinions of debit cards users.
- What kind of debit card features banks are providing?
- Is there a need for more banks to provide card facilities?
- Will most of the people use cards in future?
- Scope and risk associated with Debit Check Cards.

### **HYPOTHESIS TESTING:**

$H_0$  = There is scope for new debit check cards in Karachi.

$H_1$  = There is no scope for new debit check cards in Karachi.

$H_0$  = People are preferring debit check cards over other plastic money.

$H_1$  = People are not preferring debit check cards over other plastic money.

### **SIGNIFICANCE OF THE STUDY:**

The research will provide information about the Debit Card business in Pakistan, but the focus of this study is more on risk and scope of Debit Card business in Pakistan market. The analysis will enable the readers to know about present status of Debit cards, services provided by Debit Card issuers and the competition in Debit card business of Pakistan. It is hoped that this effort will be helpful for those banks which are presently in this business as well as those banks which are coming in this business, and customers who want to become a Debit Card holder.

The research will not only benefit cardholders in Karachi but also banking sector to compete and make adequate strategies for future and educate the people. This report will provide assistance to general public, government, organizations and students to enhance their knowledge. A new entrant wanting to start debit cards business should study the market carefully and can use this document as a reference guide for launching of their debit card.



### **SCOPE:**

Analysis is based on data collected from September 2005 to January 2006 from the debit card and card authorization departments of banks selected for the study. Some past data regarding the issuance of debit cards is also used for the research. These banks have been selected for study

- Muslim Commercial Bank.
- ABN AMRO Bank Ltd.
- Habib Bank Ltd.
- Union Bank Ltd.

Research will cover the Debit Card business in Karachi only.

### **DELIMITATIONS:**

- Debit card and card authorization departments of banks will cooperate with the researcher.
- Government's regulations will not change.
- State Bank's regulations will not change.
- New technology will not change the current scenario of Debit Card Business in Pakistan.
- Fraudulent activities will not affect the research.

## **DEFINITIONS OF THE TERMS**

### **Personal Identification Number (Pin):**

A numeric value that is used in certain systems to gain access, and authenticate. PINs are a type of password.

### **Electronic Funds Transfer (EFT):**

Method of transferring funds automatically from one account to another by electronic means.

### **POS Terminals:**

An electronic device to facilitate transactions:

### **ATM automated teller machines (ATMs):**

ATM Enable bank customers to withdraw money from their checking or savings accounts by inserting an ATM card and a private electronic code into an ATM.

### **Visa card:**

A card that bears the visa symbol, enabling a visa cardholder to obtain goods and services or cash from a visa merchant.

### **1LINK**

1-Link is a combined ATM network of various banks. It allows mutual customers to have access over 150 ATM (combined) throughout Pakistan.

### **MNET**

Currently is the largest Debit Merchant Network in Pakistan equipped with the state of the art Point Of Sale terminals.

## **RESEARCH DESIGN**

### **PURPOSE OF STUDY**

Study is hypothetical in nature in which I have made assumptions to that whether there is potential for debit check cards in Karachi or not. And trying to find importance and scope of Debit check card and uncover major aspects of Debit card business in Pakistan environment.

### **TYPES OF THE INVESTIGATION**

Non causal study, where by objective is to identify the near future scenario of debit card market in Karachi.

### **STUDY SETTING**

Study will be done in natural environment where work proceeds normally; that is in a non contrived setting. Thus the study will be done in the form of field study.

### **UNIT OF ANALYSIS OF THE STUDY**

Unit of analysis for this project will be individual employees working in debit card and card authorization departments of banks selected for the study. And sample 65 citizens of Karachi, in which 50 are cardholders while 15 are non cardholders.

## **RESEARCHER'S INTERFERENCE**

The non causal and non contrived study is conducted in natural environment with the minimum interference of researcher with normal flow of events.

## **TIME HORIZON**

The study is cross sectional in nature because data is gathered once from September 2005 to February 2006.

## **RESPONDENTS OF THE STUDY**

1. Banks
2. Cardholders
3. Non cardholders

Respondents include the debit card and card authorization departments of banks selected for the study.

## **INSTRUMENTS**

### **SECONDARY INSTRUMENTS**

- World Wide Web.
- Newspapers, books, magazines and other publications.
- Printed material of the banks.
- Televisions

### **PRIMARY INSTRUMENTS**

- Questionnaire.
- Observations.
- Formal and Structured interviews.

**TREATMENT OF DATA**

Statistical tools will be used on raw data. The data collected will be measured through chi-square technique.

**PRESENTATION OF INFORMATION**

The information will be presented in meaningful way in form of graphs, charts and tables.

## **RELATED LITERATURE**

### **SOURCES**

The source of literature that is used in this report is from interviews conducted with bank employees working in particular banks. These banks revealed a large amount of valuable information for my study.

Additional information is gathered from the internet.

### **LITERATURE REVIEW**

#### **ARTICLE 1:**

First article selected for review is named as **Debit cards getting popular**<sup>1</sup>. In the article main emphasis is on speedy growth of Debit cards in presence of credit card culture, other issues discussed are easy issuance of debit card by a bank, uses of a debit card, limited number of TM's in the country, lack of the Required technology.

He has also highlighted that customers who are in possession of a debit card, make it a point to keep more money in their accounts to enable them to make purchases against their ATM cards.

He further added that Physical transactions at banks costs Rs30-50 to a bank, a cheque transaction (Without physical visit) costs Rs13-17, while transaction through a debit card costs Rs2-5 only. In Pakistan, the use of debit card (or ATM card) is still in its infancy. This is because of smaller number of bank accounts, limited availability of ATM facility and lack of knowledge about the uses of ATM cards.

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<sup>1</sup> Published in DAWN ,23 September 2005 written by MR. Aftab Ahmed

## **ARTICLE 2**

Another article “**Encouraging Debit Card Use in Pakistan**”<sup>2</sup> also talks about the effectiveness of Debit card as a very desirable mean of transacting business. Issue of customer facility and convenience is also discussed in the article. Debit card is very convenient; cardholders never have to go to their bank. They can withdraw money from ATM using debit card and can also pay for purchases at POS. A debit card is the equivalent of the card-holder bringing his bank to the point of the transaction. There is no danger of being robbed or losing the money. Reasons for low growth of debit card than credit cards are also discussed such as illiterate society, lack of required technology, ignorance of vendors.

## **ARTICLE 3**

Article from foreign literature “**The Debit Card Revolution**”<sup>3</sup> also focuses on the Debit card growth in Credit card culture. Article highlights that issuance of credit card was welcomed by Americans and people got choice when ATMs were debuted and Debit cards were introduced. Nowadays Americans perform 11 billion ATM transactions annually, more than half of Americans are using Debit cards for their purchases. There currently are two distinct forms of debit products: signature, which has increased 35 percent since 1996; and PIN (personal identification number), which has increased 29 percent during the same period. Electronic payment systems, driven by technology, are becoming part of people’s lives at an accelerated rate.

## **ARTICLE 4**

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<sup>2</sup> Published in The News, 24 October 2005

<sup>3</sup> Selected from [www.aracontent.com](http://www.aracontent.com)

Article from foreign literature “**What’s better for you, a debit or a credit card?**”<sup>4</sup> Focuses on the choice available to the cardholders regarding having a debit or a credit card. Choosing between a credit card and debit card can be a thorny question, as each offers both plusses and drawbacks. One option is to carry both a debit and credit card; Cardholder can choose to use

the debit card for everyday purchases while reserving their credit card for significant purchases or unexpected expenses or emergencies.

## **ARTICLE 5**

Another article selected for review named as “**Visa Int'l And 1 Link Get Partnership In Pakistan**”<sup>5</sup> tells about the certification of 1 LINK switch by Visa International. According to article The 1 LINK will provide a switching solution and connectivity via the Visa Network to Visa’s member financial institutions in Pakistan. Visa Debit products now account for more than half of Visa’s global sales volume. Habib Bank was the first bank in Pakistan to launch Visa Debit through 1 LINK in August last year. Growth of Visa debit check card is also discussed that there are nearly 250,000 Visa Debit check cards in Pakistan and the card numbers have been growing at over 100 percent per annum.

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<sup>4</sup> Selected from [www.findarticles.com](http://www.findarticles.com)

<sup>5</sup> published in The Nation on 5 Dec 2005



## **GAPS TO BE BRIDGED BY FURTHER STUDIES**

This dissertation bridges gaps between the two extremes that is not just a curse but a blessing too because debit check cards can be blessing in this case that one gets convenience, security and curse in the sense of overspending. The observation, interviews and literature study have been compiled to have a good knowledge on this matter. The information gathered is not very old and secondary data collected from September 2005 to January 2006. Since there are no such gaps between existing and past data. Since this industry is growing more banks are moving towards it therefore there is a continuous research in subject.

## **AREAS FOR FURTHER STUDIES**

This research is based on banks providing debit card facilities so other areas for further study can be

- Should banks that don't provide debit check cards start providing?
- Role of Government in progress of Debit check cards in Pakistan.
- Users of Debit check cards.
- Technological advancement in the industry.

## HYPOTHESIS RESULTS:

H<sub>0</sub> = There is scope for new debit check cards in Karachi

H<sub>A</sub> = There is no scope for new debit check cards in Karachi

	MALE	FEMALE	
	O <sub>i</sub>	O <sub>i</sub>	e <sub>i</sub>
YES	12	12	12
NO	10	9	9.5
DON'T KNOW	3	4	3.5

$$\chi^2 = \sum \frac{(o_i - e_i)^2}{e_i}$$

$$\underline{\underline{\chi^2 = 0.13114}}$$

Testing whether 0.13114 is constructive or not we will test with chi-square.

$\alpha = 0.05$ (default)

Degree of freedom

k-1

6-1=5

Tabular value =11.070

**“Since 0.13114 is less than the critical value, we fail to reject  $H_0$  and conclude that there is scope for new Debit check cards in Karachi”.**

$H_0$  = People are preferring debit check cards over other plastic money

$H_A$  = People are not preferring debit check cards over other plastic money

	MALE	FEMALE	
	$O_i$	$O_i$	$e_i$
Convenience	8	9	8.5
Speedy transaction	9	8	8.5
Secured	6	2	4
Other's experience	2	6	4

$$\underline{\underline{\chi^2 = 4.1176}}$$

Testing whether 4.1176 is constructive or not we will test with chi-square.

$\alpha = 0.05$ (default)

Degree of freedom

$k-1$

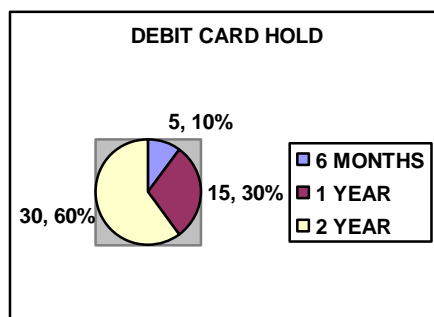
$8-1=7$

Tabular value =14.067

“Since 4.1176 is less than the critical value, we fail to reject  $H_0$  and conclude that people prefer debit check cards over other plastic money due to convenience and speedy transaction, security and other’s experiences.”

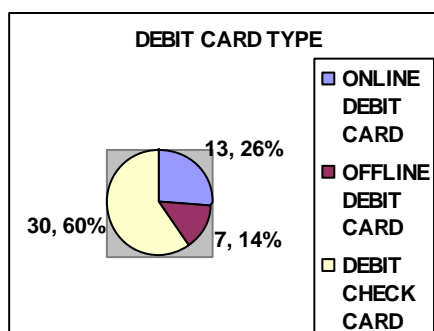
## **ANALYSIS OF ANSWERS GIVEN BY THE CARDHOLDERS:**

### **1. SINCE WHEN YOU ARE USING DEBIT CARD?**



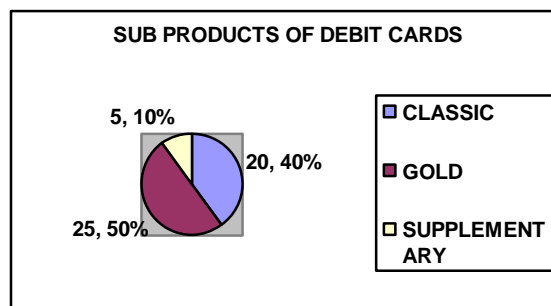
50 cardholders filled the questionnaire 10% of them were using the Debit cards for more than 6 months, 30% were using the debit card for 1 year while 60% of them for last 2 years. No specific target was considered some of them were students; and some were businessmen.

### **2. WHICH DEBIT CARD TYPE YOU HOLD?**



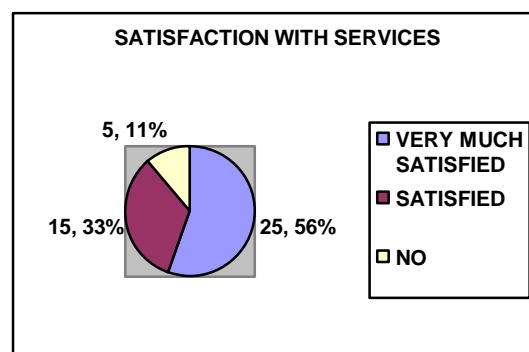
When question about Debit card type was asked out of 50 cardholders 14% were having the Offline debit card, 26% had online debit card while 60% had the debit check card, showing that debit check cards are getting popular in presence of other cards this may be due to online and offline cards combined features.

### 3. WHICH SUB PRODUCT OF DEBIT CARD DO YOU HAVE?



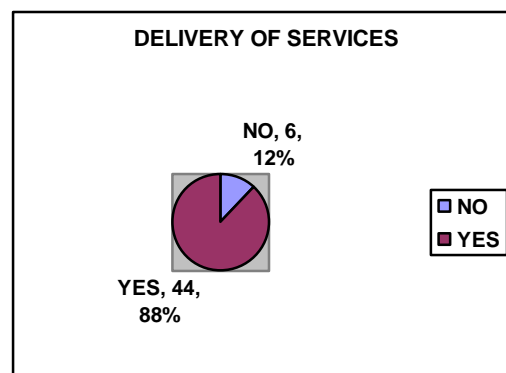
When asked about the sub product being used by cardholders 40% favored the classic, 10% supplementary and 50% were holding the gold card. Large proportion favor for gold card shows that people are happy with sub product having high purchase limit.

### 4. SATISFACTION REGARDING SERVICES:



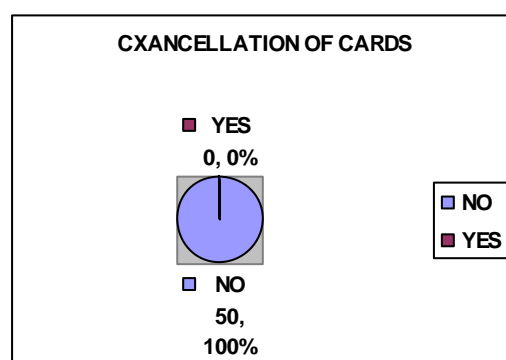
Most of the cardholders are satisfied with the services of banks. A few are not fully satisfied with efforts of the banks. 56% of cardholders are fully satisfied with services of the banks 33% are satisfied but there were few problems which were of minor state. 11% were not satisfied indicating that efforts of banks are not satisfying them. Customers said that they are content about the discount which they get on restaurants, petrol pumps and facility of supplementary cards.

## **5. DELIVERY OF THE SERVICES:**



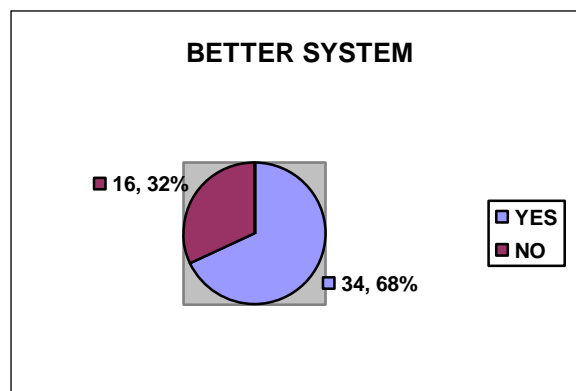
88% of the cardholders responded that banks fulfill their claims and don't make false promises while stating the benefit package of a card product. 12% of them were against the statement that banks deliver full services.

## **6. CANCELLATION OF CARDS:**



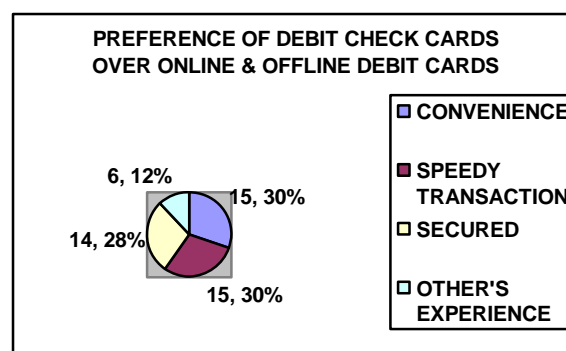
100% People responded that they have never cancelled cards showing that people do understand need of cards.

## **7. WHETHER DEBIT CHECK CARDS HAVE BETTER SYSTEM IN KARACHI OR NOT?**



32% replied that other types of debit card have better system in Karachi while 68% favored the debit check cards; the reason for the favor of other types was that they feel it convenient, secured and fraud free. while majority which replied for debit check cards said that these cards has both functions of online and offline debit card so it is more safe and convenient to them.

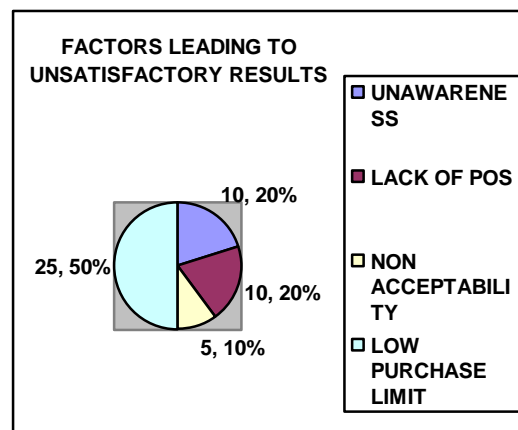
## **8. PREFERENCE OF DEBIT CHECK CARDS OVER ONLINE & OFFLINE DEBIT CARDS**



30% responded that they got or will prefer debit check cards over online and offline cards due to convenience which it has over features of both online and offline debit cards, 30% said that

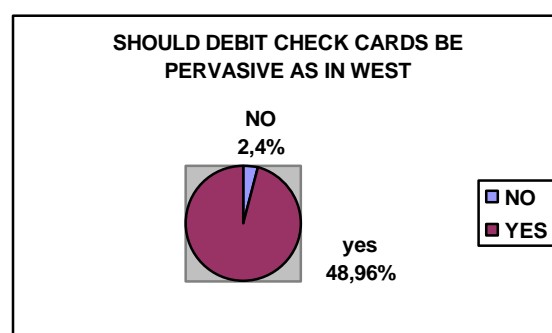
speedy transaction is very important and they will get debit check card due to this reason this group belongs to businessmen. 28% replied that they got debit check card due to security which it gives. While 12% of cardholders said that they got debit check card after listening other's experiences.

## **9. FACTORS LEADING TO UNSATISFACTORY RESULTS**



50% of cardholders replied that they felt dissatisfaction and got unsatisfactory results when they were given a low purchase limit by the bank. 20% were dissatisfied due to unawareness about the technology and lack of required technology. 10% were dissatisfied due to lack of POS at merchant's stores while 10% felt dissatisfaction when merchant refused to accept their card.

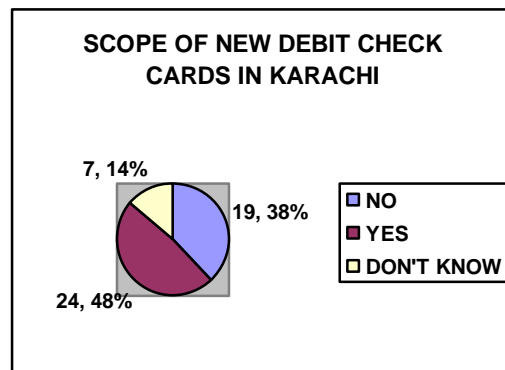
## **10. SHOULD DEBIT CHECK CARDS BE PERVASIVE AS IN WEST**





96% cardholders responded that Debit check cards should be made more pervasive as in other countries as they give better solution for transfer of money for purchases, it also Shows that people do understand need to accept technological changes and make use of them in order to keep Pakistan moving ahead. 2% of cardholders were against pervasion of debit check cards in Pakistan. These cardholders were traditional users of online or offline cards.

### **11.SCOPE FOR NEW DEBIT CHECK CARDS IN KARACHI**

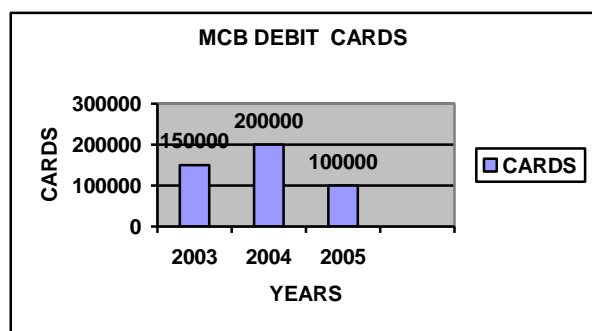


48% people replied that they think that debit check cards are better than other debit cards due to convenience which they give to user and also technology associated with these particular cards they were also in favor that there is a strong potential debit check cards in Pakistan and specially Karachi and with increasing awareness it will increase. 38% of cardholders replied that there is no potential and scope for debit check cards in Karachi they were those who like online or offline cards very much. 14% replied that they don't know about scope of debit check cards.

## **ANALYSIS OF THE ANSWERS GIVEN BY THE BANKERS**

### **YEAR WISE STATISTICS OF CARD'S ISSUANCE:**

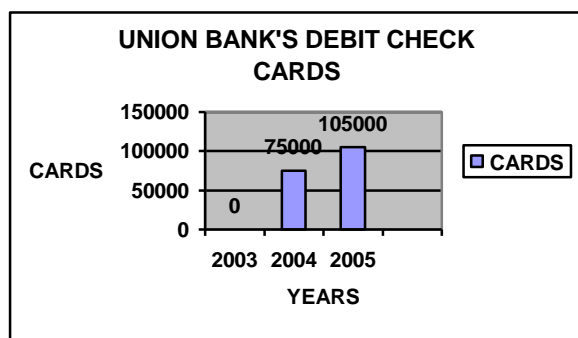
#### **MCB:**



	YEAR	CARDS
1	2003	150,000
2	2004	200,000
3	2005	100,000

MCB Launched debit cards on May 2003 growth rate increased within three years in 2004 by 33% and in 2005 100,000 cards were issued majority of cards were online and offline debit cards and no debit check card was issued.

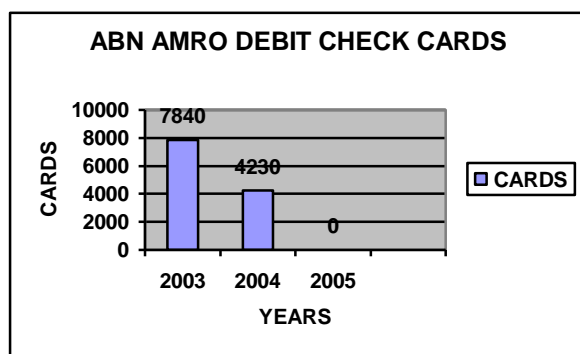
#### **UNION BANK LIMITED:**



	YEAR	CARDS
1	2003	N/A
2	2004	75,000
3	2005	10,5000

Union bank launched first visa debit card in Pakistan in 2004 although 75000 debit check cards were issued in 2004 but rate increased in 2005 with 105000 cards indicating growth rate of 40%.

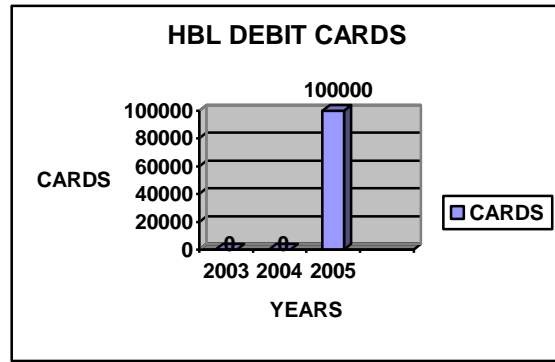
### **ABN AMRO BANK:**



	YEAR	CARDS
1	2003	7840
2	2004	4230
3	2005	N/A

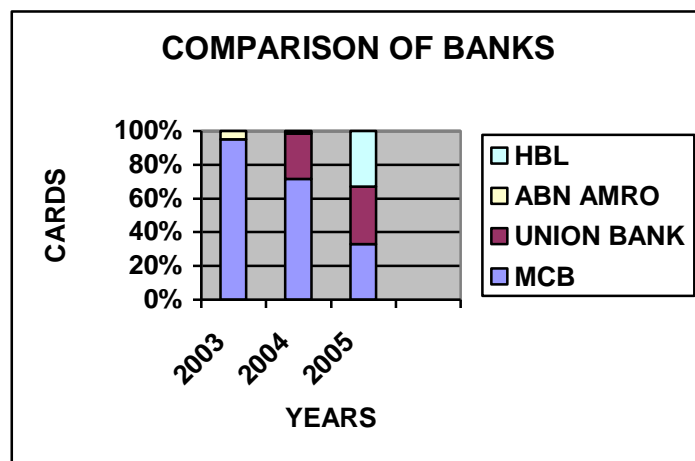
In **2003** ABN AMRO introduced the first ever debit card. In 2004 only 7840 online debit cards were issued but afterwards there came a decline of nearly 53% in cards growth when they issued 4230 online debit cards.

## **HABIB BANK LIMITED:**



	YEAR	CARDS
1	2003	0
2	2004	0
3	2005	100,000

Habib bank launched value visa debit card on 15<sup>th</sup> august 2005 and issued 100,000 debit check cards. Habib bank transformed their online debit card in to the debit check card.



In 2003 most of the debit cards were issued by MCB. These all were online debit cards and were compatible with pin system and also can be used as ATM cards. A small proportion was also contributed by ABN AMRO in form of ATM debit cards. In 2004 MCB again holds major part of cards issuance, these all were online debit cards. Union Bank issued Debit check cards in 2004 and people accepted this change as union bank has snatched a good debit card market share from MCB. In 2005 HBL issued Value Visa Debit Cards and in 2005 we can clearly see that major debit card market is being ruled by the banks issuing debit check cards showing encouragement for new entrants.

### **BENEFITS PROVIDED BY BANKS TO CARDHOLDERS:**

When asked about the benefits provided by **Habib bank** to their customers **Mr.Salahuddin Najmi** said that Habib bank's value visa debit card is truly a secure and convenient payment solution backed by the international acceptance and recognition of Visa International.

- Ease & Security
- International Recognition & Acceptability
- Free Account Statement
- Exclusive Discounts & Deals
- Insurance Cover
- Funds Transfer Facility
- Supplementary Debit Card
- 24-Hour Customer Service Unit

are benefits which our value visa debit card is providing to the cardholders.

Our Value Visa Debit Card is acceptable at over 20 million Visa merchants worldwide including 10,000 merchants in Pakistan. As an ATM card it is accepted at over 700 1-Link and M Net ATMs in Pakistan and over 864,000 Visa ATMs worldwide.

**Mr. Anwer Hussain** said that through **Union Bank's Shopping Card** which is Pakistan's first Visa Debit Card, cardholders have round the clock access to their Mahana Izaafa, Business

Account, Savings Account, Ready Cash or Business Power account from anywhere across Pakistan and around the world. Union Bank's Shopping Card also allows buying grocery, filling fuel or dine-out without the need to carry cash. Our Union Bank's Shopping

Card is accepted at over 10,000 VISA merchants in Pakistan and over 13 million worldwide. It also functions as an ATM card and allows withdrawing cash from over 600 ATMs in Pakistan and over 864,000 VISA ATMs worldwide.

**Mr. Aftab Ahmed** said that **MCB ATM & Debit Card** is a quick payment facility that enables cardholder to do purchasing by using his existing MCB ATM / MCB Smart Card as a DEBIT CARD. MCB has signed over 400 merchants in Karachi and placed its POS terminals at all these locations. Acceptability of card is at Merchant Locations, including Petrol Pumps, Grocery Stores, Bakeries, Departmental Stores, Jewelers, Travel Agents, Restaurants, Chemists, Hospitals and many more locations displaying this sign.

**Miss. Shahina** said The ABN AMRO Debit Card is an innovative, convenient and secure payment tool that gives a whole new meaning to spending. The Debit Card facility is an extension of ATM Card. When using the Debit Card facility, cardholder has the flexibility of paying from different accounts Current Account, Savings Account. We are giving debit card facility absolutely free to card holders and also there is no monthly installment payments involved.

### **VIEWS ON CAN DEBIT CHECK CARDS ELIMINATE THE ONLINE AND OFFLINE DEBIT CARDS?**

A somewhat similar answer came from four banks i.e. at the moment Debit Check Cards cannot fully eliminate online and offline debit cards or credit cards because of lack of awareness, lack of the required technology, and due to low market penetration. The employees of selected banks

further said that Debit check cards are a better way of exchange of money for various transactions but there are certain situations where importance of cash can not be neglected. Debit check cards are gaining acceptability around the city as every store in Karachi is accepting Debit check cards nowadays.

### **VIEWS ON WHICH CITY HAS MORE POTENTIAL FOR DEBIT CHECK CARDS?**

When asked that which city has more potential for Debit Check Cards then a similar answer came from all of these banks that Karachi has greater potential because it is largest city with bigger market, more businesses, more machines for accepting cards and open minded people regarding facilities, as people are more status conscious in Karachi and nowadays plastic money has become one of status symbol.

As Debit check cards are new in market and are at initial stage so if awareness is increased then Debit check cards will be more than credit cards in next 5 years.

### **ANALYSIS OF ANSWERS GIVEN BY NON CARDHOLDERS:**

When question is asked from non cardholders that whether they want to have a debit check card or not then majority gave similar answer yes. Reasons for having a debit check card given by non cardholders are as follow.

- ❖ Some said that they are impressed by marketing campaign of HBL and they want to have their Value Visa Debit Card.

- ❖ Some were impressed by the discount given at petrol pumps and restaurants.
- ❖ Some said that they want to use ATM and purchase through one card so they want to have Debit Check Card.
- ❖ Some said that we are fond of having plastic money so we will also become a debit check cardholder.
- ❖ Some responded that they don't want to have a debit check card as they are very much content with their credit card
- ❖ Some responded that they don't know what debit check card is.

As the result of whole analysis we can summarize that majority of non cardholders want to have debit check cards due to its convenience and impressive feature, but a small proportion is still unaware of it and is showing resistance in adoption of debit card culture.



## **SUMMARY OF THE FINDINGS:**

As the result of all discussion we can summarize that Debit check cards have bright future in Karachi which still remains more or less a virgin market and where there is a great demand for it and is an essential part of Karachi growth.

Banks are providing cardholders tremendous facilities and benefits including international Recognition & Acceptability, Funds Transfer Facility, 24 Hour Customer Service Unit, usage of card at Petrol Pumps, Grocery Stores, Bakeries, Departmental Stores, Jewelers, Travel Agents, Restaurants, Chemists, Hospitals and much more.

Debit Check Cards cannot fully eliminate online and offline debit cards or credit cards because of lack of awareness, lack of the required technology, and due to low market penetration. Debit check cards are a better way of exchange of money for various transactions Debit check cards are gaining acceptability around the city as every store in Karachi is accepting Debit check cards nowadays. Majority of non cardholders want to have debit check cards due to its convenience and impressive feature, but a small proportion is still unaware of it and is showing resistance in adoption of debit card culture.

Karachi has greater potential of having more debit check cards because it is largest city with bigger market, more businesses, more machines for accepting cards and open minded people regarding facilities, as people are more status conscious in Karachi and nowadays plastic money has become one of status symbol.

As Debit check cards are new in market and are at initial stage so if awareness is increased then Debit check cards will be more than other plastic money in next 5 years.

## **CONCLUSION:**

In this research both null hypothesis are accepted so therefore it is easy for me to conclude that with right planning, Debit Check Cards has bright future in Karachi which still remains more or less a virgin market and where there is a great demand for it and is an essential part of Karachi growth. The number of card holders is largest in Karachi, One of key reasons is population of Karachi but other reason is literacy and attitude of vendors. The forecasting derives credibility from fact that more and more local and international financial institutions are exhibiting enthusiasm in this direction. This in turn reflects Karachi market in accommodating numerous card competitors operating on the circuit, ensuring healthy and competitive card business deals. Business of Debit Check Cards is not only beneficial for the issuers but also for the cardholders and merchants. Debit cards have contributed for betterment of economy by improving channelization of funds, production is increasing development of industry and by availability access of consumer goods.

As far as risk of new debit check cards is concerned lack of awareness, lack of the required technology and low market penetration are main risks in acceptance and growth of these cards. In short we can conclude that although Debit check cards are new in market and are at initial stage but if awareness is increased then Debit check cards will be more than credit cards in next 5 years.

## **RECOMMENDATIONS:**

### **To banks**

- ❖ Good customer service plays an important role to retain the customers; Banks need to ensure that their staff sitting on 24 hours help line is skilled enough to satisfy customers.
- ❖ A large amount of the population of Karachi is still unaware of this facility. So, the banks must focus on this aspect to make people understand what actually the Debit Check Card is for and what incentives they can get from its use.
- ❖ Banks should start marketing campaigns as HBL is promoting their Visa Debit card.
- ❖ Debit Check Card's purchase limit should be increased.
- ❖ Debit Check Cards machines should be made available at every store.
- ❖ The machines should be properly checked whether they are working or not.
- ❖ In case of debit check cards duplicate transaction takes place, so banks should also look forward into this issue.
- ❖ The banks should make their application simple so that everyone can capture its wording.
- ❖ If there is no light then the machines does not work, they should arrange generators to make these machines work 24 hours a day.
- ❖ Banks should make their strategies and try to target every market.
- ❖ Training should be given to sales staff.
- ❖ As debit check card are more convenient so banks should start providing these cards.

### **To card holders**

- ❖ For better security, the card number and the supplementary card number should never hand over the card to a third person.
- ❖ Should read the manual carefully; try to get all information from bank
- ❖ Don't carry so many debit and credit cards.
- ❖ If your card is lost or stolen, report the loss immediately to your financial institution.
- ❖ Always know how much money you have available in your account.
- ❖ If you have a PIN number, memorize it. Do not keep your PIN number with your card.
- ❖ As debit check cards are more convenient so cardholders should get these cards.

### **To non cash holders**

- ❖ Those not utilizing this facility are recommended to do so for more convenience, prevention from carrying heavy cash with themselves and getting discount at places they like to shop.

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